



County of Los Angeles CHIEF EXECUTIVE OFFICE

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WILLIAM T FUJIOKA
Chief Executive Officer

June 17, 2008

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

**DEPARTMENT OF PUBLIC WORKS: HARBOR-UCLA MEDICAL CENTER
SURGERY/EMERGENCY REPLACEMENT PROJECT
APPROVE VARIOUS ACTIONS
SPECS. 5110 AND 6779; C.P. 69220
(SECOND DISTRICT) (3 VOTES)**

SUBJECT

These actions will allow the Harbor-UCLA Medical Center Surgery/Emergency Replacement project to complete the design-build prequalification process and to incorporate additional project scope required for facility functionality into project design documents.

IT IS RECOMMENDED THAT YOUR BOARD:

1. Approve the recommended design-build entities as prequalified to provide technical/cost proposals for the Harbor-UCLA Medical Center Surgery/Emergency Replacement project based on their responses to the Board-approved prequalification questionnaires for this project.
2. Approve the revised Harbor-UCLA Medical Center Surgery/Emergency Replacement project scope, which remains within the project budget of \$344.1 million as previously approved by your Board on October 17, 2006.
3. Award and authorize the Acting Director of Public Works or his designee to execute Supplemental Agreement 3 to Contract PW-12438 with Sigma Engineering, Inc., for additional environmental consulting services for a \$93,000 not-to-exceed fee to be funded through C.P. 69220, and to establish the effective date following your Board's approval.

Board of Supervisors
GLORIA MOLINA
First District

YVONNE B. BURKE
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

Approval of the recommended actions will provide for upgrades to the hospital's electrical system and other improvements and defer remodeling work (backfill) in areas of the existing hospital that will be vacated following completion of the Harbor-UCLA Medical Center Surgery/Emergency Replacement (S/E Replacement) Project. Additionally, approval of an agreement for environmental services will support timely construction of the project.

Background

In 1992, your Board authorized the initiation of design activities for a 190,300-square-foot hospital addition containing new surgery and emergency facilities at Harbor-UCLA Medical Center. While design documents were submitted to the Office of Statewide Health Planning and Development (OSHDP) for review in 1994, authorization to complete the project was deferred due to uncertainties surrounding the Department of Health Services' (Health Services) financial position. Despite the deferral of final project approval, your Board authorized design review activities with OSHPD to continue at a minimal level in order to maintain the project's eligibility for partial reimbursement under the Senate Bill 1732 program.

In December 2004, your Board authorized Public Works to revise the project design documents that were submitted to OSHPD in December 2001; obtain OSHPD and other jurisdictional approvals; prepare the project construction bid documents; and revise the project environmental document. In October 2006, your Board approved a project budget of \$344.1 million and the commencement of site preparation construction. In February 2007, your Board approved, in concept, the use of design-build delivery for the project and a supplemental agreement with the project's architect/engineer, Leo A. Daly/HKS (Daly/HKS), to complete project bridging documents.

Emergent Design Issues

During the development of the project bridging documents, a review by the Project Advisory Committee and third-party peer reviewers identified a number of design deficiencies that affect the project's scope and schedule. These deficiencies primarily revolved around the lack of sufficient electrical and emergency power and the inability of the electrical infrastructure, as previously designed, to adequately support an upgraded power system. More specifically, the design review determined that:

- The current emergency power system lacks sufficient capacity to support the existing hospital and new S/E Replacement Project;
- The existing hospital's electrical infrastructure, including service breakers, switchgear, conduits, and power surge protection systems, are deficient and were designed under an early 1960s electrical code, and would be unable to accommodate enhancements to the electrical power supply and emergency power system; and
- The capacity of the existing hospital's electrical system would not support the combined power requirements of the existing hospital and the S/E Replacement Project.

The lack of emergency power capacity can be addressed through the addition of two 2,000 kilowatt generators and a 35,000 gallon underground fuel tank. The existing emergency power station, which was completed in 2001, currently houses four 2,000 kilowatt generators and two 15,000 gallon underground fuel tanks. The station was designed, however, with sufficient space and wiring to accommodate the two additional generators. The cost for the additional generators and fuel tank is estimated at \$4.3 million.

Upgrades to the existing hospital's electrical infrastructure are necessary to avoid potential safety hazards, accommodate the S/E Replacement Project's additional electrical load, and comply with current electrical codes. The cost for the upgrades is estimated at \$6.5 million.

In order to address the lack of sufficient power, Public Works investigated three options with Southern California Edison Company (SCE) that would provide the required additional power:

Option 1: Augmentation of the existing SCE main electrical service by providing a second power line. This option was found to be incompatible with the existing configuration of the wiring of the hospital's emergency power station and switchgear and would only be marginally adequate for the current normal electrical service needs with no capacity for future growth. The cost is estimated at \$5.0 million, including SCE costs and reconfiguration of the emergency power station wiring and switchgear.

Option 2: Installation of a new, dedicated, 12 kV main electrical service. This option avoids the emergency power station's wiring configuration issue, but would be only marginally adequate with insufficient capacity for future

growth in power requirements. The cost of this option is estimated at \$3.5 million.

Option 3: Construction of a new, dedicated, 66 kV substation that receives electricity directly from SCE for dedicated use by the Harbor-UCLA Medical Center. The 8,000-square-foot substation would receive sufficient electricity for the existing hospital and the new S/E Replacement Project and would also accommodate future growth. The construction of the new electrical substation will require the preparation of an addendum to the existing Mitigated Negative Declaration. The design and construction cost of this option is estimated at \$11.9 million.

SCE has informed the County that the electric service rates under Options 1 and 2 would remain at the current level. The electric service rate to the hospital under Option 3, however, would be reduced. The reduced electric service rate under Option 3 would enable the hospital to avoid an estimated \$1.6 million in annual electricity costs once the S/E Replacement Project has been completed and is operational.

Based on the technical and cost evaluations of these options, we are recommending Option 3 as the preferred method to obtain required electrical service since it will provide a highly reliable normal power source for the project, as well as capacity for future growth at reduced electrical rates. This option provides the most cost-efficient long-term operations as described more fully under Fiscal Impact/Financing.

Additional Scope

Concurrent with the design review, Public Works also directed a review of other building systems by third party peer reviewers. This review, along with discussions with hospital staff, identified the need for:

- additional space for telecommunications and data support equipment;
- additional equipment storage space; and
- an extension of the pneumatic tube system to the Primary Care and Diagnostic Center.

The space in the new building for telecommunications and data equipment, as initially designed, was insufficiently sized. The most cost-effective option to provide the required space and cooling is to enlarge the currently designed basement by approximately 360 square feet, provide cabling to connect this area to the other telecom spaces, and provide additional cooling via independent air conditioners.

In addition to the area described above, the hospital is requesting that approximately 4,500 square feet of additional basement space be included as part of the base construction scope. The current design does not allow for enough equipment storage space, and it is cost prohibitive to construct this basement space in the future due to the site location of the S/E Replacement Project.

The extension of the pneumatic tube system to the Primary Diagnostic Care Center is also recommended as new project scope. When originally programmed, the Primary Diagnostic Care Center, which houses critical support laboratories, was not yet completed. Although it is not required to have the general and blood gas laboratories located in the Primary Diagnostic Care Center connected to the new S/E Replacement Project pneumatic tube system, not connecting them would significantly impair the operational efficiency of the new facility.

Project Scope/Cost Revision Alternatives

The estimated increase in project costs to expand the emergency power system, upgrade the electrical infrastructure, and construct a new electrical substation, including anticipated delay costs, totals \$28.4 million. Two alternative approaches to address the project scope/cost revisions were developed, evaluated and analyzed in terms of cost and programmatic impacts as described below:

Alternative 1: Construct the entire S/E Replacement Project, including the above additional scope items and replenish project funds required for project delay costs by partially deferring the renovation of 45,000 square feet in the hospital's existing South Wing building that would be vacated in favor of the recommended/proposed S/E Replacement Project. The backfill scope of work was originally programmed in 1998 to include the expansion of the existing diagnostic imaging, neurodiagnostics, heart station, community affairs, chemotherapy and blood bank. These services will continue to reside in their current operating location until the backfill scope of work is reanalyzed by the hospital prior to completion of the revised S/E Replacement Project to determine the most efficient use of this vacated space. Under this alternative, the Project's estimated cost would remain at \$344.1 million.

Alternative 2: Construct the entire revised S/E Replacement Project with remodeling of 45,000 square feet in the hospital's existing inpatient tower building as planned. No portion of the project scope would be deferred. The Project's estimated cost under this alternative would increase to \$372.5 million.

Although the proposed electrical service scope is not required to maintain the current operation of the hospital, it is not possible to defer these improvements and meet the electrical power needs of the S/E Replacement Project or other future improvements. In terms of operational impacts, deferral of the remodeling of the space to be vacated in favor of the revised S/E Replacement Project would not diminish the hospital's ability to provide uninterrupted health services to patients.

Based on the peer reviewers' reports and Public Works' investigations, Health Services and the Chief Executive Office (CEO) have identified Alternative 1 as the preferred construction program.

Due to the time required for the County and the design team to resolve the above issues and to complete the associated drawings and contract documents, the project has been extended by approximately five months. Although it is difficult to accurately predict the effects of construction cost escalation in current market conditions, we estimate that this delay could result in an increase of approximately 8 to 10 percent per year. Therefore, we also recommend realignment of project budget line items thereby increasing the construction budget to reflect current construction escalation rates.

Prequalification of Design-Build Entities

In June 2007, your Board approved the use of the design-build contracting process and issuance of the prequalification questionnaire for interested design-build entities to assist the County with the implementation of the S/E Replacement Project. Public Works received completed prequalification questionnaires from three design-build entities within the Board approved submittal bid period. The questionnaires were reviewed, and the following three design-build entities were determined to meet the prequalification criteria:

- McCarthy Building Companies, Inc. – HMC Architects (Harnish, Morgan, and Causey);
- Hensel Phelps Construction Co. – KMD Architects (Kaplan, McLaughlin, and Diaz); and

- Clark Design/Build of California – RBB Architects (Rochlin, Balbona, and Baran).

We will return to your Board to release a Request for Proposals to the prequalified, design-build entities in early July 2008.

Implementation of Strategic Plan Goals

The Countywide Strategic Plan directs that we provide Service Excellence (Goal 1), Fiscal Responsibility (Goal 4), and Children and Families' Well-Being (Goal 5) by investing in public health infrastructure and improving access to surgery and emergency services in the southern and western areas of the County. Completion of this project will provide much needed improvements to the facility for the residents of the County.

FISCAL IMPACT/FINANCING

The estimated project cost for the electrical power, emergency power station, and additional scope items totals \$28.4 million as detailed below:

Emergency Power Station Expansion:	\$ 4.3 million
Electrical Infrastructure Upgrades:	
Primary Power Feed Main Switches and Switchgear	\$ 1.5
Electrical Switches and Conduit	2.6
Campus-wide Electrical Switches, Switchgear and Devices	2.4
Subtotal	\$ 6.5
Electrical Substation (Added Power Option 3)	\$11.9
Additional Scope	
Data/Telecom Room	\$ 0.4
Pneumatic Tube System Extension	0.3
Full Basement Build Out	1.2
Subtotal	\$ 1.9
Project Delay Costs (5 months)	\$ 5.5
Total Project Cost Increase	\$ 30.1 million
Less: Available Project Contingency	(1.7)
Net Project Cost Increase	\$ 28.4 million

It is recommended that all revised project scope items above be included in the S/E Replacement Project, and that the backfill of the vacated space in the South Wing building be deferred thereby maintaining the Board approved project budget of \$344.1 million.

Annual debt service requirements over a 30-year term are currently estimated at \$13.8 million each year, commencing in Fiscal Year 2012-13. Based upon the financing projections provided by the CEO in November 2006, Health Services and the CEO concur that Health Services will be able to absorb the associated annual debt service payments while remaining within the Board approved project budget of \$344.1 million.

However, should your Board decide to include the additional identified project scope and the backfill work, there will be a project budget increase of approximately \$28.4 million with a revised total project budget of \$372.5 million. This increase in the project budget equates to an increase of \$1.1 million in annual debt service requirements, or \$33.0 million over a 30-year term.

It is anticipated that the project will be financed initially through the issuance of tax-exempt commercial paper and ultimately the issuance of long-term, tax-exempt bonds.

Operating Budget Impact

For both Electrical Power Options 1 and 2, it was determined that SCE electric service rates would remain relatively constant, and future SCE service costs for the hospital would increase from approximately \$3.4 million annually to approximately \$6 million annually due to the increased electric power demand. This represents an annual cost increase of approximately \$2.6 million.

Under Option 3, SCE confirmed that the service rate would only increase from approximately \$3.4 million to approximately \$4.4 million annually. If implemented, Option 3 would avoid additional SCE service costs of approximately \$1.6 million each year compared to Options 1 and 2.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The supplemental agreement with Sigma will be in the form previously approved as to form by County Counsel. The recommended contract was solicited on an open competitive basis and bid in accordance with applicable Federal, State, and County requirements. Sigma is in compliance with the CEO and your Board's requirements.

This contract contains terms and conditions supporting your Board's ordinances, policies, and programs, including but not limited to: County's Greater Avenues for Independence and General Relief Opportunities for Work Programs (GAIN/GROW), Board Policy No. 5.050; Contract Language to Assist in Placement of Displaced County Workers, Board Policy No. 5.110; Reporting of Improper Solicitations, Board Policy No. 5.060; Notice to Contract Employees of Newborn Abandonment Law (Safely Surrendered Baby Law), Board Policy No. 5.135; Contractor Employee Jury Service Program, Los Angeles County Code, Chapter 2.203; Notice to Employees Regarding the Federal Earned Income Credit (Federal Income Tax Law, Internal Revenue Service Notice 1015); Contractor Responsibility and Debarment, Los Angeles County Code, Chapter 2.202; and the Los Angeles County's Child Support Compliance Program, Los Angeles County Code, Chapter 2.200; and the standard Board-directed clauses that provide for contract termination or renegotiation.

Data regarding the proposer's minority participation is on file with Public Works. The contractor was selected upon final analysis and consideration without regard to race, creed, gender, or color.

CONTRACTING PROCESS

On November 5, 2001, Public Works executed Contract PW-12438 with Sigma to prepare an environmental document for a \$72,000 not-to-exceed fee. On December 14, 2004, your Board authorized Supplemental Agreement 1, increasing the contract value to \$124,700 to revise and process the Mitigated Negative Declaration. On October 17, 2006, your Board authorized Supplemental Agreement 2 for a \$196,000 not-to-exceed fee for mitigation monitoring, increasing the contract value to \$320,700. We are now recommending awarding Supplemental Agreement 3 for a \$93,000 not-to-exceed fee for preparation and processing of an addendum to the Mitigated Negative Declaration and for providing additional mitigation monitoring due to the revision of project scope. The negotiated fee has been reviewed by Public Works and is considered reasonable for the scope.

ENVIRONMENTAL DOCUMENTATION

On April 11, 2006, your Board approved a Mitigated Negative Declaration for the S/E Replacement Project. The approved mitigation measures are being incorporated into the project documents and a construction monitoring program has been developed. The proposed scope of Electrical Service Option 3 was not included within the scope of the Mitigated Negative Declaration previously adopted by your Board. In consultation with County Counsel, we have reviewed the proposed scope of work and determined that preparation of an addendum to the existing Mitigated Negative Declaration is

required. We will return to your Board for approval of the addendum prior to the authorization for construction of the proposed project.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

The project is being implemented in phases in order to reduce disruption to hospital operations. Construction of the interim helistop and other site preparation activities is underway and will reroute, relocate, or replace existing facilities to prepare for construction of the S/E Replacement Project. The project specifications require the contractors and vendors to coordinate their construction schedules to minimize disruption of the daily activities of the hospital, which will remain fully operational during these construction activities. Extensive coordination planning has been performed with the hospital staff to identify and implement measures to mitigate potential construction conflicts and minimize impacts on hospital operations and patient care.

CONCLUSION

We have reviewed these recommendations with the Project Advisory Committee.

Please return an adopted, stamped copy of this letter to the Chief Executive Office (Capital Projects Division), one to Public Works (Project Management Division I), and one to Health Services.

Respectfully submitted,



WILLIAM T FUJIOKA
Chief Executive Officer

WTF:DDE:DL
JSE:DJT:DKM:zu

Attachments

c: County Counsel
Department of Public Works
Department of Public Social Services (GAIN/GROW Program)
Office of Affirmative Action Compliance

June 17, 2008

ATTACHMENT A

**DEPARTMENT OF PUBLIC WORKS:
HARBOR-UCLA MEDICAL CENTER
SURGERY/EMERGENCY REPLACEMENT PROJECT
APPROVE VARIOUS ACTIONS
SPECS. 5110 AND 6779; C.P. 69220
(SECOND DISTRICT) (3 VOTES)**

I. PROJECT SCHEDULE

Project Activity	Board-Approved Schedule Completion Date	Proposed Schedule Completion Date
Environmental Documents	04/11/06*	04/11/06*
<u>Make-Ready</u>		
Jurisdictional Approvals	06/12/06*	06/12/06*
Construction Award	10/18/06*	10/18/06*
Construction Start	10/19/06*	10/19/06*
Substantial Completion	02/29/08	09/22/08
<u>Surgery/Emergency Building</u>		
Jurisdictional Approvals	by design builder**	by design builder**
Construction Award	09/09/08	12/30/08
Construction Start	by design builder**	by design builder**
Substantial Completion	12/19/11	03/30/12
<u>Backfill</u>		
Jurisdictional Approvals	06/08/11	06/08/11
Construction Award	01/16/12	01/16/12
Construction Start	04/17/12	04/17/12
Substantial Completion	05/16/13	05/16/13

* Indicates actual date

**The design builder will identify schedule for jurisdictional approvals and construction start date in the Request for Proposal submitted.

II. PROJECT BUDGET SUMMARY

Project Activity	Approved Project Budget	Impact of Action	Proposed Budget
Land Acquisition	\$ 0	\$ 0	\$ 0
Construction			
Low Bid Construction Contract	\$ 1,700,000	\$ 621,654	2,321,654
Design-Build Contract	162,750,000	10,257,000	173,007,000
Job Order Contract	38,490,000	(16,038,000)	22,452,000
Purchase Order Contract	3,500,000	0	3,500,000
Southern California Edison Contract	0	7,975,000	7,975,000
Change Orders	27,630,000	1,415,456	29,045,456
Departmental Crafts	0	0	0
Youth Employment	0	0	0
Construction Consultants	0	0	0
Misc. Expense	0	0	0
Telecomm Equip – Affixed to Building	2,100,000	0	2,100,000
Medical Equipment	43,280,000	(8,708,000)	34,572,000
Civic Arts	0	0	0
Subtotal	\$279,450,000	\$(4,746,890)	\$274,973,110
Programming/Development	\$ 0	\$ 0	\$ 0
Plans and Specs	\$ 15,040,000	\$ 100,000	\$ 16,040,000
Consultant Services			
Site Planning	\$ 0	\$ 0	0
Hazardous Materials	390,000	100,000	490,000
Geotech/Soils Report and Soils Testing	886,000	241,000	1,127,000
Material Testing	3,720,000	482,000	4,202,000
Cost Estimating	2,870,000	0	2,870,000
Topographic Surveys	150,000	0	150,000
Construction Management	16,422,000	525,000	16,947,000
Construction Administration	0	0	0
Environmental	450,000	150,000	600,000
Move Management	267,000	0	267,000
Equipment Planning	975,000	0	975,000
Legal	1,835,000	274,000	2,109,000
Construction/Change Order	0	0	0
Other: Document Management	2,625,000	16,000	2,641,000
Other: Commissioning	1,765,000	329,000	2,094,000
Subtotal	\$ 32,355,000	\$ 2,117,000	\$ 34,472,000
Miscellaneous Expenditures	\$ 242,000	\$ 40,000	\$ 282,000

II. PROJECT BUDGET SUMMARY

Project Activity	Approved Project Budget	Impact of Action	Proposed Budget
Jurisdictional Review/Plan Check/Permit	\$ 3,707,000	\$ 450,000	\$ 4,157,000
County Services			
Code Compliance Inspection	\$ 3,220,000	\$ 85,175	\$ 3,305,175
Quality Control Inspection	2,602,000	255,525	2,857,525
Design Review	150,000	0	150,000
Design Services	100,000	0	100,000
Contract Administration	490,000	146,015	636,015
Project Management	3,716,000	175,608	3,891,608
Project Management Support Services	509,000	0	509,000
ISD Job Order Contract Management	375,000	87,409	462,409
DPW Job Order Contract Management	673,000	0	673,000
ISD ITS Communications	500,000	0	500,000
Project Security	0	0	0
Project Technical Support	552,000	29,268	581,268
Office of Affirmative Action	319,000	65,890	384,890
County Counsel	0	0	0
Other: DPW Land Development	25,000	25,000	50,000
Other: DPW Traffic & Lighting	45,000	0	45,000
Other: DPW Design Division	10,000	0	10,000
Other: DPW Construction Division	10,000	0	10,000
Other: DPW Flood Maintenance Division	10,000	0	10,000
Sheriff Job Order Contract Management	0	0	0
Subtotal	\$ 13,306,000	\$ 869,890	\$ 14,175,890
TOTAL	\$344,100,000	\$ 0	\$344,100,000